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*Publication date:*  
2014

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication in ResearchOnline](#)

*Citation for published version (Harvard):*

Steiner, A & Cleary, J 2014, 'What are the features of resilient businesses? Exploring the perception of rural entrepreneurs.', *Journal of Rural Community and Development*, vol. 9, no. 3, pp. 1-21.  
<<http://journals.brandonu.ca/jrcd/article/view/1125>>

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# Journal of Rural and Community Development

## What are the Features of Resilient Businesses? Exploring the Perception of Rural Entrepreneurs

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**Citation:**

Steiner, A., & Cleary, J. (2014). What are the features of resilient businesses? Exploring the perception of rural entrepreneurs. *The Journal of Rural and Community Development*, 9(3), 1-20.



**Publisher:** Rural Development Institute, Brandon University.

**Editor:** Dr. Doug Ramsey

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# **What are the Features of Resilient Businesses? Exploring the Perception of Rural Entrepreneurs**

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## **Abstract**

The economic importance of the private sector, such as its contribution to GDP or employment creation, is well recognised in research and policy. More recently, positive social and environmental contributions of businesses have been explored and there is a growing body of evidence recognising the potential role of private sector enterprises in contributing to enhanced community resilience. However, the extent to which business owners and their businesses are resilient themselves is not well investigated. In the context of globalization and rapid change, businesses are exposed to external shocks and economic social and environmental changes. Private sector enterprises, which are so important in the overall community development, are therefore forced to adapt to the changing dynamics of their soundings.

Based on an exploratory study of businesses in South Australia, which aimed to enhance our understanding of the role of private sector enterprises in local development, this paper explores how business owners cope with a changing business environment. We question therefore *what are the features of resilient businesses?* Through in-depth face-to-face interviews with rural business owners, we identify approaches of selected entrepreneurs that enabled them to adapt to changes creating resilient businesses. Findings of this paper present implications for practitioners, researchers and policymakers.

Keywords: Private sector businesses, SMEs, entrepreneurs, resilience, rural

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## **1.0 Introduction**

Entrepreneurship and business activities influence the life of rural communities in direct and indirect ways and both are important in shaping the resilience of rural places (Steiner & Atterton, 2014; Steiner & Markantoni, 2013). It is acknowledged that private sector enterprises are frequently the major employer in rural areas and proportionally generate more jobs per head of population than private businesses in urban areas (Defra, 2005), they help to maintain the working-age population and a 'demographic balance' in a local area (Smailes et al., 2002), deliver essential services and products to residents and visitors (Martz & Sanderson, 2006; Halseth

& Ryser, 2006), and contribute to sustaining others (public, private and third sector) services (e.g., schools, health care, community centres, shops). Through utilising and developing existing resources local businesses can further enhance local resilience creating viability and stability of the place (Magis, 2010; Bosworth, 2012; Bowles, 2000; Michalos & Zumbo, 1999). The businesses can also educate customers and the community and act as agents for promoting sustainable development (Potts, 2010). Equally important is “in-kind” contribution of rural businesses to supporting their communities (Bruce et al., 2006), which provides leadership across a range of community groups (Bruce & Halseth, 2004), becomes a source for fundraising and sponsoring local events (Jack & Anderson, 2002), enhances the quality of life of a place (Halseth & Ryser, 2006; Steinerowski & Steinerowska-Streb, 2012), and plays a significant part in rural social wellbeing (Anderson et al., 2009). The continuous existence of rural enterprises is consequently crucial for healthy well-functioning local communities and developing sustainable economy in post-financial crisis (Steiner & Atterton, 2014). This prompts to search for the features of resilient businesses. This theme in the rural context is largely underdeveloped yet it is increasingly important in the age of globalised market and rapid socio-economic changes that nowadays also affect rural businesses.

Through the analysis of interviews undertaken with rural business owners in South Australia, this paper presents *what makes rural businesses resilient*. It begins with a short description of the dynamic socio-economic changes and the rural business context that influence the way businesses operate. The section questions what features of rural businesses and their owners help to create a successful and resilient enterprise. The paper continues with a description of the methodology of the study explaining strengths and weaknesses of adopted research approach. Finally, we present the key findings and patterns that assist the exploration of the theme under investigation. The latter informs our discussion revealing components of resilient businesses. The final section highlights implications for (i) practitioners indicating that a diversification strategy or specialisation strategy helps to survive in a highly competitive market, (ii) politicians who need to understand a need for specialised business support policies that take into account the rural context (which, as presented in this paper, is a component influencing the resilience of businesses), and (iii) researchers suggesting that rural businesses are particularly innovative and responsive to change as they are able to turn the disadvantages they face into motivations to achieve competitive advantage.

## **2.0 Background**

### ***2.1 Globalisation, Social and Economic Changes and Activities of Businesses***

Activities of businesses, including rural businesses, are determined by many factors that are both internal and external to the organisation (Pansiri & Temtime, 2010). Global and national economic situation, national business development policies, the level of a national GDP, investments, consumption, the level of unemployment, export and import, and currency and interest rates are among those factors which have an impact on business activities (Steinerowska-Streb & Steiner, 2014). High economic growth, low interest rates and high demand create greater opportunities for survival and development of enterprises. On the other hand, economic slowdown represents a challenge to all business owners and only those entrepreneurs who are able to find a gap on the market and adapt to market changes can survive and grow.

Research evidence suggests that the rural private sector, which consists predominantly of micro, small and medium enterprises (SMEs), adapts quickly to a changing environment and the increasingly unfavourable economic climate of recent years (Steiner & Atterton, 2014). However, the question that arises is why certain businesses are capable of introducing essential changes and other fail to do that.

In relation to SMEs, recent study identified that due to a close relationship with their clients, non-bureaucratized structures of management, unity of given commands and simplified methods of decision-making, the enterprises know the market and customers' needs well and, therefore, are able to quickly adapt (through being reactive and sometimes even proactive) to changing market conditions (Steinerowska-Streb & Steiner, 2014). For instance, SMEs easily adjust their production of goods and services in order to satisfy evolving market demands. Hence, the small size of many rural enterprises enables to respond to changing business circumstances quicker influencing the resilience of the businesses. This flexibility helps rural private businesses to better meet the changing demands of the consumers (Anderson et al., 2009; Smallbone et al., 1999; Irvine & Anderson, 2004). Research focusing on the innovative behaviour of rural firms has found that the particular limitations and challenges that face rural businesses encourage more innovative behaviour (Keeble et al., 1992; Smallbone et al., 1999). The tendency of rural businesses to be more closely integrated into their local community (Jack & Anderson, 2002; Reimer, 2006) generates loyalty and stability amongst their local customer base and may help to offset some of the limitations of the rural business environment (Chell & Baines, 2000).

## **2.2 *Rurality as a Business Context***

Rural locations are characterised by specific geographical features which, in business terms, translate into small, widely dispersed clientele and workforce, isolation from service centres, limited human, physical and technical resources (Bryant & Joseph, 2001; Farmer et al., 2008; Williams, 2007). All these aspects influence activities of rural business owners. For instance, a small size of the market implies limited growth opportunities, and isolation from urban centres translates frequently into inadequate support for rural enterprises. However, 'rural' relates also to *'the significance of networks, connections, flows and mobilises in constituting space and place and the social, economic, cultural and political forms and processes associated with them'* (Woods, 2011). Rural areas are, for example, known for strong and dense social networks and embeddedness (Jack & Anderson, 2002; Atterton, 2007; Woods, 2003, 2008; Hofferth & Iceland, 1998), strong mutual knowledge, sense of community and social cohesion (Shucksmith et al., 1996). The tendency of rural businesses is to be more closely integrated into their local community (Jack & Anderson, 2002; Reimer, 2006), generating loyalty and stability amongst their local customer base, which act as a strength that can offset some of the limitations of the rural business environment (Chell & Baines, 2000).

Consequently, literature suggests that the rural context represents conducive and non-conductive characteristics that shape the behavior of rural business owners (Bosworth, 2012). As such, the attempt to understand the behavior of rural business owners in silo, without analyzing external environment in which an entrepreneur is embedded, would be mistaken (Granovetter, 1985, 2005).

Recognising the importance of rural businesses and the survival challenges they face, we aim to explore *what makes rural businesses resilient*. To arrive at a deeper

understanding this research explores *the characteristic of business owners and decisions they make in order to create resilient businesses*. Answers to these questions help identify study implications for practitioners, researchers and policymakers.

### **3.0 Methodology**

#### **3.1 Study Context**

The study context was selected due to interesting (i) economic and (ii) geographical features of the country. Firstly, Australia represents a developed country with a market economy, a high GDP per capita, and a low rate of poverty (World Bank, 2014). In 2013, the country was identified as the nation with the highest median wealth in the world and the second-highest average wealth per adult in the world (Credit Suisse Research Institute, 2013). Despite recent world economic crises, Australia's economy remained stable. Secondly, Australia is a large continent, spanning some 7.7 million square kilometres with almost 60,000 kilometres of coastline (Australian Bureau of Statistics, 2014). With a population of 23 million, Australia is the 3rd least densely populated country in the world. Despite being one of the most remote, rural and sparsely populated country of the world, Australian businesses have performed well, contributing to local development and the wealth of the country. These features offer a context which much could be learnt from.

This study focuses on a small, rural area of South Australia (see Figure 1). It is important to note that defining rurality and remoteness depends on a particular context and geographies. In Australia, several different classification systems have been developed to define remoteness and rurality. These tend to take into account a number of factors and refer to the size of a community, distance from population centres, and access to services. The Australian Government, for example, identifies five geographical classifications including major cities, inner regional, outer regional, remote and very remote areas – these are presented in Figure 1 (Australian Government, 2014). While the majority of the Australian population lives in major cities and inner regional areas, 10 percent of Australians resides outer regional, remote and very remote areas. In this study, we approached the latter (highlighted in Figure 1).

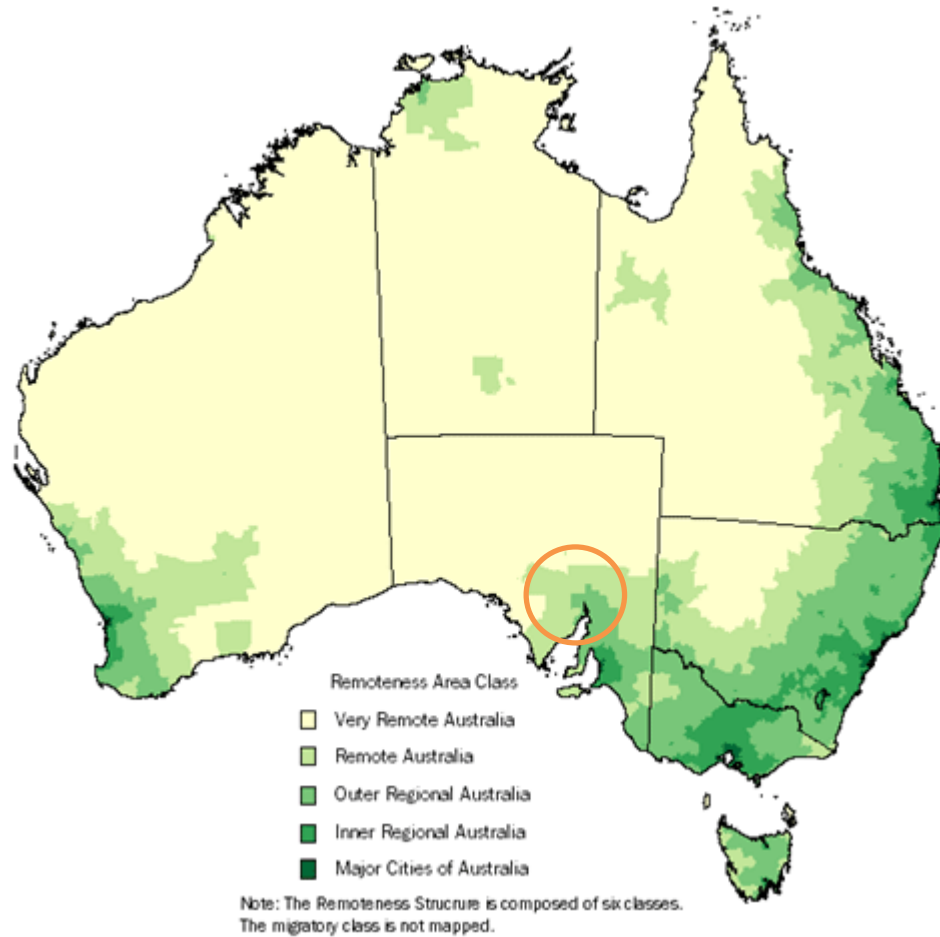
#### **3.2 Research Methods**

In order to explore the perception of rural entrepreneurs and to identify features of resilient businesses, a case study approach was used (Miller & Brewer, 2003). This method was selected as the study aimed at pursuing depth analysis of perceptions and opinions of local business owners.

A list of potential businesses was provided by Regional Development Australia (Far North) – RDA, which is one of 55 Regional Development Australia committees across the country that are tasked with regional social and economic development. Businesses selected in the study were required to be located within the local area and be recognised for their contribution to economic, social and environment development. Hence, this represents non-probability sample (Bryman & Bell, 2007). From the generated list, ten businesses were selected and approached and seven of those gave their consent to be included in the study. This number was seen as sufficient as this was an exploratory study limited by time and financial constraints. Using a quota sampling strategy helped to produce a sample that reflects a population in terms of the relative proportions (Bryman & Bell, 2007) i.e., our population consisted of small, medium and large enterprises. Proportionally, the

majority of businesses in Australia are SMEs (small enterprises represent 95.6% businesses, medium 4.1%, and large 0.3%; Australian Government, 2011) and this reflects our sample (see Table 2).

*Figure 1: Remoteness Classification and Geographical Location of the Study.*



Source: ABS Methods, Classifications, Concepts & Standards: Remoteness Structure 2014

A topic guide for data collection and analysis was developed based on the international literature review in the theme under investigation. The data presented in this paper draw on subset questions that aimed to explore the characteristics of businesses and their business owners. Examples of the questions are presented in Table 1.

The guide was used to gather perspectives from rural business owners in South Australia – thus the data presented in this article is self-reported and it represents views of selected entrepreneurs. It was considered important to collect data from a range of businesses and, therefore, the selected businesses varied in terms of years in operation and profile. Purposive sampling, which is suitable in situations when a researcher needs to reach a targeted sample quickly and where sampling for proportionality is not the primary concern, was used (Bryman & Bell, 2007). In this study, we looked for examples of traits of resilient businesses. The detailed characteristics of businesses that took part in the study are presented in Table 2.

Table 1. *Example of Interviewee Questions*

Enquire Type	Example of Questions
Background Information	<ul style="list-style-type: none"> <li>• What is the profile of your business?</li> <li>• How many people do you employ?</li> <li>• When was the business established?</li> </ul>
You and your Business	<ul style="list-style-type: none"> <li>• Can you describe me your role in the business?</li> </ul>
Networking	<ul style="list-style-type: none"> <li>• Do you collaborate with other local businesses? How? Why? Give examples.</li> <li>• Are there any other businesses with a similar profile in this region? Do you collaborate or compete with them? Why?</li> </ul>
Business Development	<ul style="list-style-type: none"> <li>• Are businesses supported through policy, funding opportunities, business networks etc.?</li> <li>• What is a long term vision of your business?</li> </ul>

As presented, the size of businesses varied from micro (0-4 employees), small (employing less than 20 people), and medium (between 20 and 199 employees) to large enterprises (above 200 employees) (Australian Government, 2011). Some of the businesses were established over one hundred years ago, while others were created very recently. The business operations were also variable, with some delivering services and others developing products.

In order to gather perceptions and options of local entrepreneurs, face-to-face, in-depth, semi-structured interviews were conducted with identified business owners. This method of data collection was used because it allowed focus on the main topics, whilst allowing for elaboration, which is important for deeper understanding of the theme under investigation (Saunders et al., 2003). This approach was beneficial as in some cases discussions led into areas that had not previously been identified, but which were significant for addressing our research questions.

Interviews were conducted over 40–90 minutes and were recorded with consent, and subsequently transcribed. In addition, field notes were collated and observations recorded. All data were coded, categorised and analysed using N-Vivo qualitative data analysis software programme giving the basis for systematic analysis. All interviewees were ensured anonymity in research outputs. This approach elicited detailed information about the features of resilient businesses.



Table 2. *Business Characteristics*

No.	Main Activity	Size	Established	Scale
1	Manufacturing and distribution of farm machinery and agricultural equipment	Medium business; 45 employees + approximately 10 apprentices	1987	International: throughout Australia, the US, Canada, Central America, Europe, South Africa, New Zealand
2	Pastoral tourism business	Micro/Small family owned business daughter employed (full time) + Outback Helpers	Pastoral business – run by the fifth generation in the family Tourism - 1986	Local area, South Australia; occasionally international visitors
3	Pastoral tourism business	Micro/Small family business; 3 part time employees + grey nomads	Pastoral business running for over 100 years and tourism running since 2000	Local area, South Australia; occasionally international visitors
4	Power and water systems	Small business; 8 people employed including those full and part time workers	Merger of two businesses in 2011/2012	South Australia; occasionally other regions of Australia
5	Tourist orientated bakery offering accommodation facilities and a gift shop	Small businesses; 4 permanent full time employees + 2-3 seasonal jobs	1997	Local area, South Australia
6	Labour intensive work e.g., assembly and packaging, mailing bureau outside maintenance, weeding, litter collection, cleaning, woodworking unit	Large business; 487 employees across all divisions in the whole state including those full-time, part-time and casual	1952	Operates in South Australia but some customers are international
7	Ice cream manufacturer	Medium business; 60 employees including those full-time, part-time and casual	1923-1983 - a family business; 1984 -2000 - public company between; 2001-2007 - private ownership; 2008-current time – joint private ownership	South Australia distribute Australia wide

### **3.3 Reliability and Validity of the Study**

Research is regarded as reliable if findings are repeated when the same methods are used (Blumberg et al., 2005). In order to ensure the reliability of the presented study, all interview questions were the same (using earlier developed topic guide). The core questions were used as the basis for the data analysis and enabled the emergence of our findings. Moreover, all interviews were conducted and analysed by a single researcher suggesting that there are neither inter-interviewer nor inter-coder problems with reliability. The concept of reliability, however, assumes that the measured area is stable and unchanging (a situation which seems unrealistic if the variable of time is introduced – over time, using the same methods, different findings are likely to ensue in social research).

Validity relates to whether the results of a study are ‘true’ and the concept refers to the extent to which a researcher measures what he/she wished to measure or thinks they have measured (Blumberg et al., 2005). Bryman & Bell (2007) indicate that validity refers to the generalisation of a study which, in this study, could be limited to the region of South Australia. Nonetheless, while some issues that emerge through this research have a local resonance, others have wider applicability and relevance to other countries and regions. Also, we recognize that a small sample size imposes limitations on the generalisability of our findings, and we present them as intrinsic case studies.

## **4.0 Findings**

This section of the paper identifies the attitudes and behaviour of the business owners, which are themselves influenced by the particular challenges and opportunities resulting from the rural location as well as by external stakeholders, governmental policies and changing law. Issues explored include aspects associated with business owners’ responsibilities and their attitudes to networking, growth, risk, specialisation, and diversification. Moreover, and in relation to factors influencing the resilience of businesses, the findings describe perceived development barriers as well as issues associated with infrastructure and available business support.

### **4.1 Business Owners’ Responsibilities**

Rural business owners have wide-ranging responsibilities, often because their workforce is small. As they need to be involved in many aspects of running a business, they have to possess a range of skills: “I’m a general manager and also one of the co-owners of the business so I oversee the total operations from purchasing, production, sales, distribution, demonstration, finance – so a broad role – just overseeing the whole lot” (B7). Our data shows that those whose businesses have expanded need to deal with both domestic and international markets. Although frequently described as a lifestyle choice, running a business is a responsibility and those who want to succeed, need to be fully committed to the business development: “You have to work hard and long hours and you take a lot of risks. So those in business understand that that’s the reality” (B1). It was highlighted that despite the many responsibilities, it is important for business owners to secure time for business development. This might require employing more people who can help with daily activities associated with running a business. It is, therefore, necessary to be able to recognise different stages of business development and to transfer some responsibilities from owners to

appropriate staff who can take over selected tasks. This can help business owners to re-focus on significant issues that help to sustain or grow their business.

#### **4.2 Risk Taking Approach**

Risk taking is an entrepreneurial characteristic that enables businesses to identify new opportunities and, if successful, grow a business. Interviewed enterprises showed that in order to survive and thrive, it is necessary to diversify or specialise businesses, introduce new products and remain flexible to adapt to the changing business environment: “We’ve been bold enough to take a risk...we could have just as easily stayed as a little rural farming repair business but we reckoned there was more opportunities” (B1). Business owners argued that risky and difficult decisions are frequently essential to ensure the sustainability of their businesses.

Changes to a business profile or how it functions are frequently essential. Due to external competition and a threat of losing business, sometimes it is risky to remain ‘the same’. Respondents suggested that local businesses have to learn how to survive in a competitive environment and need to know about their main competitors.

#### **4.3 Business Diversification**

In order to survive and remain profitable, many enterprises had to adapt to the changing business environment and diversify their business profile. One business owner highlighted that his family business established over 100 years ago no longer provides a reliable source of income. Consequently, ‘multitasking’ became a response to dynamic changes in the business environment. Although simultaneously running two businesses can be difficult, it gives security and financial stability and it can help to deal with many external factors outside of the business owner’s control.

The reason for business diversification is that depending on one income stream is often not sustainable: “We started with the bakery, we then added wine, and then accommodation...it is a rural area, tourism has its ups and downs, we wanted to have more eggs in the basket” (B5). In addition to ‘internal’ diversification of business products (within or outside the same industry), diversification can be introduced through ‘external’ collaborations or a merger of two organisations: “In 2011 I bought that business with a partner and then at the start of 2012 we bought what was his original business and have now merged the 2 businesses together” (B4). The search for business improvement is on-going rather than a one-off event: “We’re always looking to increase our profile and we’re always open to diversify into other fields if the opportunity arises” (B6). The latter statement shows that rural businesses are proactive and adaptive. Some business owners proved to have an ability to identify a niche market for a product that already exists. For instance, through adapting packaging to customer needs and adding new varieties of already existing products, businesses can access new customers and, therefore, grow.

Thus, diversification occurs in many different ways. Some decide to run an additional (not related to their original) business; other business owners decide to create a wider range of already existing products/services; others go through business mergers in order to have economically valid firms. The findings also indicate that identifying a market niche can help to expand (sometimes even internationally) a business.

#### ***4.4 Business Specialisation and Market Niche***

Finding a niche market might give a competitive advantage and a unique market position securing the survival of the firm: “We’ve got a nice little niche market created as a result of developing our own research programmes...We market in the US, Canada, Central America, Europe, South Africa, New Zealand...a fair bit of that has been because it’s a unique product...having a niche product is beneficial because...we’re kind of a protected industry” (B1). Thus, identifying and targeting a market gap helps to build a customer base and, as a consequence, ensure the prosperous future of the enterprise. The study showed that businesses that observe their environment, liaise with other organisations, create new collaborations and respond to customer needs through adapting their products to new requirements, are better placed to survive and grow.

The main reason for identifying a niche product is the awareness that rural markets are small and local business owners have to act in a way that does not harm their neighbours’ businesses: “We all have very similar things that we’re offering but at the same time very different. Everybody’s got some unique things of their own...You’re not overlapping too much on other people’s business...You do make sure you’re not going to cut somebody” (B2). Thus, rural business ethics might be a reason for developing niche products/services. It is worth to notice that while implementing development strategies, some decide to compete with the high quality (rather than low price) of their products.

Thus, being innovative, creative and able to recognise what is currently lacking in the local area can lead to building a new customer base. Interestingly, and as highlighted by one of the respondents, niche markets also transform and are influenced by many external factors. This means that being dependent on one niche industry does not guarantee success and it is essential to be able to adapt to ongoing market changes.

#### ***4.5 Growth Approach and Vision***

The study shows evidence of how growing expertise in a particular field of work can lead to the development of new business ideas: “I was full-time farming...and then we developed a variety of products, stuff that we needed on the farm, stuff we were able to test here on the farm and give them a good run so we had our own R&D ground” (B1). In this case, personal experience and practical knowledge led to the development of a new activity in manufacturing farm machinery which currently is sold in many countries around the world. National and international expansion of the business is still anticipated and novel ways of growth are being sought. Certain investments are essential in order to survive and grow: “We’ve spent over the last 18 months...over \$1.5m in new equipment, new machinery to launch new products...just broaden our base because the market is very competitive” (B7).

While some businesses aim to grow, there are business owners (especially those with small enterprises), who identified a number of reasons of why it is inappropriate to expand their business activities: “I don’t think we want to grow too much. We’ve finally got ourselves at a comfortable point that we’re all very happy...otherwise we’re going to get away from being able to cope with the work... we’re getting older so it’s only going to be 5, 10 years down the track where we’re going to be ready to retire” (B2). Despite being ambitious and having a business vision, continuity of business activities might be threatened due to the age of business owners. This issue

was also highlighted by other interviewees who frequently expressed hope that their children would continue running their businesses. Maybe not surprisingly, the study shows evidence that passing a business to a young generation might be problematic in rural areas. For instance, a daughter of one business owners said that dealing with two businesses would be too difficult for her. Other business owners said that their children work and live in cities and it would be unlikely that they would move back to rural areas. Consequently, in many cases rural businesses have problems with finding staff or successors who could run their ventures in future.

Discussing aspects of business development, interviewees highlighted that the opportunity to grow depends on the industry. Moreover, those running two businesses highlighted that taking too many responsibilities might have a negative impact on the business/businesses due to an inability to efficiently deal with business activities.

In order to develop their business efficiency, business owners engage with research programmes that can help them to develop. Additionally, and as mentioned before, respondents emphasised that while one way to grow might be looking for new customers, another way can be delivering a wider range of products to existing customers. There were those who claimed that there are always opportunities to sell more to current customer and this might be easier than finding a new customer base. The interviewees added that, when opportunities arise, the business delivers services to those from outside the region. Hence, once the local market is well served, some business owners seek customers outside their immediate neighbourhood.

Some businesses noted significant growth of their firms and expressed a willingness to grow further. However, the possibility to grow depends on many aspects such as access to the workforce or a size of the market and a customer base.

#### ***4.6 Development Barriers***

Business owners referred to growth barriers indicating issues that might harm the development of their businesses. Some were generic to businesses across rural and urban Australia, such as tax. Taxes are not the only challenge faced by rural business owners, with others being more specific to the rural context, such as finding employees: “There’s no staff – that’s the problem. Staffing in this area is really hard. It’s terrible...that’s probably the biggest problem” (B5). Business owners said that they cannot offer the same wages as mines nor can they offer a city-lifestyle. Finding new employees, especially with appropriate skills is, therefore, highly problematic. As business owners are already overloaded with business responsibilities, a lack of labour reduces the opportunity to develop.

Sometimes it is infrastructure or the lack of appropriate equipment that reduces the capacity of businesses and slows down the development of rural businesses. Respondents complained about the poor condition of roads, communication systems, and mobile network coverage – all highlighted as essential for growth. There were also those who indicated insufficient access to services including banking or access to health providers (which might be important in tourism industry). Some interviewees suggested that the federal government should be more supportive. When asking about policy support, one of the respondents said: “It’s a matter of doing it yourself and relying on yourself and nobody else” (B5). Moreover, some claimed that local communities lack of business acumen and an ‘anti-change’ culture was challenging: “The community will fight change...they reflect backwards

all the time to some good period and hope that they revert back to it, they can't see forward" (B3). Hence, a number of business owners felt that more support from the regional, local and community levels should be given to business owners.

Respondents admitted, however, that there are other more 'internal' aspects which appear as a growth barrier. For instance, insufficient investment makes it impossible for some businesses to flourish: "Our quiet time is the summer period...because our accommodation is not air conditioned...we don't have the facilities for summer" (B2). Other interviewees owning small businesses suggested that packaging and marketing is a problem and that this is the area of expertise that they need to develop. Finally, businesses informed that running a business in rural areas brings additional running costs.

#### ***4.7 Infrastructure and Available Business Support***

Activities of business owners are influenced by external factors such as infrastructure, business support, policies, and law. Although these aspects cannot be directly influenced by individual businesses, they have an impact on how businesses operate. For instance, one of the business owners described a positive impact on business activities due to investments in local infrastructure: "*Our occupancy rate has improved since the bitumen road was developed...it's incredible what an infrastructure improvement can do to a business*" (B2). Local governments therefore clearly have an important role to play in facilitating business growth.

Moreover, interviewees indicated that a level of government assistance, for example helping to provide training opportunities, exists. Hence, evidence of attempts by the government to support local businesses was found in the study. On the other hand, however, due to changing legislation, some organisations are forced to undertake expensive new investments. For these, organisations try to seek financial support and often use available grants and/or loans: "Our energy costs have just increased since 1st July due to the carbon tax and network charges have increased by \$100,000 per year. So we're looking at installing a new compressor...all that's going to be probably an investment towards a \$1,000,000...if we're successful we'll get 50% of that funds and then the balance of the 50% we will have to fund internally or obtain a loan for that balance" (B7). Thus, when possible, businesses utilise available grants. Although financial support helps businesses in their day-to-day operations, income generated through trade remains the most important source of income.

#### ***4.8 Collaboration and Networking***

Collaboration and networking amongst businesses are supported by the Regional Development Australia and many interviewees said that the organisation has a positive impact on their businesses. In addition, local businesses may choose to become part of local business associations and other networking groups, which enable engagement in information exchange (such as email lists, newsletters), participation in local events (including seminars and exhibitions), and direct contact with customers. While the majority of the business owners highlighted that they utilise networking opportunities to promote their businesses, there were also those who criticised local associations for being slow and not capable of bringing a positive change. Thus, in order for networking to develop, business owners have to see direct benefits of it – in short, it has to be well-targeted and bring value to their businesses for them to engage.

Our study indicates that although a level of networking across rural businesses exists it varies amongst individuals and sectors: “All farmers all over Australia kind of know what’s going on and share information and resources, don’t see each other as competitors, which as soon as you step out of that into manufacturing or engineering everybody is a competitor and nobody wants to talk to you anymore” (B1). According to our respondents, specialised businesses are exposed to more aggressive competition and therefore need to remain innovative in the field. However, working together can sometimes attract new customers. Interviewees referred to what they called ‘cross promoting’ and the importance of collaboration between local businesses, which can enable business clusters to be built: “We’ve all got together and called ourselves Station Stays SA...We collaborate locally...for instance down there [in the Restaurant] we have a 10% discount card of theirs if people stay more than 5 nights...so you do that sort of value adding stuff and try and use your local businesses...Cross promoting-there’s a lot of it done here...for instance...they can take a booking for us and actually take the money for it and then we pay them back 10% for taking that booking for us” (B2). This example shows that rural businesses utilise their informal networks to support each other. Despite being competitors, they work together as this enables local firms to achieve better business results. This approach could be recognised as a combination of cooperation and competition and we call it here ‘co-opetition’. As noted, the balance between competition and cooperation depends on the type of industry. Still, this ‘co-opetition’ can help business owners to learn new skills from each other, develop relevant knowledge and, consequently, increase their financial profits.

Interviewees discussed their collaboration with other businesses, which brings mutual benefits: “Our production materials we’re able to source in the local area...we do buy a little bit of stuff in from overseas but stuff that is not available in Australia” (B1). Using local supplies and suppliers was evident across many interviewees and this approach supports local economies. Thus businesses buy as much as they can from other local enterprises. In this case, geographical links and informal networks were influencing local business operation.

Finally, it was noted that local development agencies (such as the local tourism body and Regional Development Australia) frequently facilitate collaboration between local businesses. One interviewee highlighted that the main reason for supporting collaborative approaches is the possibility of expanding and entering new regional markets.

## 5.0 Discussion

Presented literature review identified rapid economic, social, and environmental changes influencing rural business activities. Through case studies with rural business owners, we reveal the perception of rural entrepreneurs on factors that help to cope with those changes and on what constitutes a resilient business. In addition to key findings presented in the previous section, we attempt to recognise whether the acknowledged factors are context-specific or depend on the characteristics of businesses or their owners (see Table 2).

Our study suggests that the resilience of rural businesses depends on a number of factors which might be *context specific* (e.g. rural areas), *business specific* (e.g., business profile) or depend on *entrepreneurial characteristics* (e.g., risk taking approach). It is not, therefore, one domain that determines whether a business is

resilient. Instead, it is a number of issues that need to interplay in order for a business to be successful. This is presented in Figure 2.

Table 2. *Factors Influencing the Resilience of Rural Businesses*

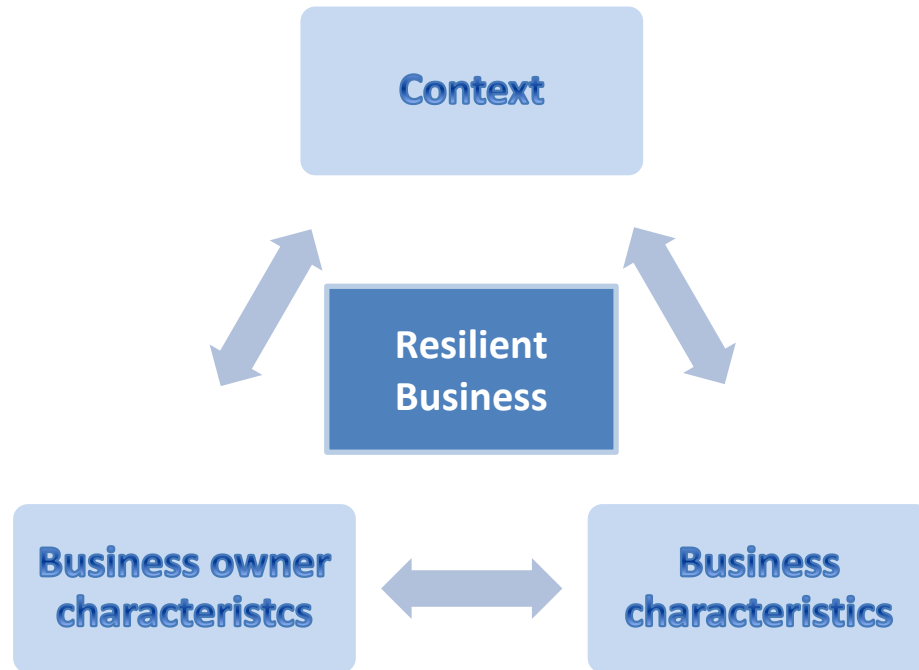
Factors	What needs to be done to increase the resilience of a business?	Who/what influences resilience factors
▪ Business owners' responsibilities	In micro and small enterprises, ability of the owner to manage a number of tasks simultaneously and play different functions With an increasing size of a business, ability of the owner to delegate tasks to the trusted employees in order to focus on more strategic business functions	Characteristic of a business owner
▪ Business diversification	Ability to take advantage of business diversification opportunities in order to benefit from additional sale and, potentially, increased stability associated with mixed business portfolio	Business characteristics
▪ Risk taking approach	When needed, ability to take risk, remain flexible and adaptive to the changing business environment	Characteristic of a business owner
▪ Business specialisation and market niche	When opportunities arise, and in addition to existing activities, ability to re-shape products/services to target niche market clientele and provide unique and specialise products/services	Business characteristics
▪ Growth approach and vision	Growth approach needs to be realistic and fit well with the characteristics and vision of particular entrepreneurs Business profile has a significant impact on the growth approach and it needs to be taken into account when implementing growth strategies	Characteristic of a business owner Business characteristics
▪ Development barriers	Necessity to recognise and expect potential development barriers which might be context specific	Rural context
▪ Infrastructure and available business support	If possible, consider the impact of infrastructure on long-term business activities Ability to utilise available existing business support opportunities	Rural context Characteristic of a business owner
▪ Collaboration and networking	Ability to collaborate with other businesses in order to bring mutual benefits If possible, replace competition with co-opetition Ability to recognise and be part of efficient and productive networks	Characteristic of a business owner

As highlighted in the existing literature, rural context is characterised by numerous challenges that rural business owners face. Interviewed entrepreneurs highlighted challenges associated with, for example, limited access to workforce, difficulties with finding employees with appropriate skills, lack of good quality infrastructure and communication systems, lack of support services, and high business costs associated with rural settings. These issues have a negative impact on the resilience of rural businesses. Our findings indicate therefore that, in order to function well and remain resilient, rural business owners have to skilfully navigate around contextual challenges, and through the engagement of entrepreneurial skills adapt



their business profile to and fit well with the local surroundings. Hence, it is a combination of the ‘characteristic of business owners’ and the ‘characteristic of their businesses’ that can assist (or alternatively hinder) the development of resilient rural businesses in a specific context.

Figure 2. Elements of Resilient Business.



Source: Own Elaboration

Evidence from our study indicates that in order to survive, rural entrepreneurs have to be flexible and highly adaptable. Our data shows that in micro and small enterprises business owners are forced to deal with a number of tasks from daily activities associated with purchasing, production, sales, distribution, and finance right to managerial tasks related to long term business development. If the business grows, some of the tasks have to be delegated to other capable staff (this, however, due to rural context and difficulties with the recruitment of skilled employees, might be challenging itself). This shows that entrepreneurs have to be flexible themselves and their role evolves with the business development. The characteristic of being ‘flexible’ and ‘highly adaptable’ links frequently with a risk taking approach. For instance, interviewed entrepreneurs indicated that the profile of their family businesses that have existed and functioned well for many generations had to change in recent years. This can happen through diversification, specialisation and/or targeting a niche on the market. Hence, in the world of constant rapid changes resilient businesses cannot ‘stay the same’. Instead, they have to change harmoniously together with their surroundings. Collaboration and networking can help rural entrepreneurs to absorb changes, learn and develop, and respond to changes in the business environment. An example of this is collaboration and creation of business clusters and replacement of a direct competition with, what we call here, co-opetition.

While some of the presented factors can be perceived as ‘external’ (i.e., out of the control of business owners), others are ‘internal’ and depend on approaches

and decision of entrepreneurs. In order to run a successful and resilient business, the former need to be recognised and considered by those running businesses. Hence, despite not being able to influence some of the external factors, rural entrepreneurs need to be aware of how to mitigate external barriers and overcome potential challenges associated with ‘out of control’ business environments. Coherent analysis of the context in which entrepreneurs operate, an appropriate business profile, and the characteristic of business owners are therefore essential to create resilient businesses.

## **6.0 Conclusions**

Our findings highlight a number of factors that help understand how to create resilient businesses. In addition to rural context, there are other equally important factors, including characteristic of business owners and characteristic of their businesses, which influence the extent to which rural businesses succeed and thrive. Based on the results of this study, we draw therefore implications for practitioners running rural businesses and policy-makers seeking to support the resilience of rural businesses and researchers investigating theme of businesses development:

1. For practitioners there is a role in supporting businesses in choosing and implementing either a diversification strategy or a specialisation strategy, depending on which is most appropriate for their business. This support may be required over the medium- or long-term and outcomes may not be visible in the short-term. The study also revealed that several owners faced challenges in terms of business succession. As they are approaching retirement age they do not have a person who could take over and run their business. Thus, the longevity of their businesses is threatened and there are potentially negative knock-on impacts for the wider local economy. Working with rural businesses on succession planning would therefore be a useful aspect of support provision.

Businesses noted the particularly rural challenges of finding and retaining suitably qualified staff. There is, therefore, a role for business support organisations in identifying the skills gaps locally, in working with local education, and training providers and businesses themselves to provide apprenticeships to address the gaps. Such strategies will also help attract and retain young people, thus creating a more balanced demographic profile locally. Clearly, there is also a role for local authorities and organisations, such as Regional Development Australia, to provide ongoing financial assistance to businesses and to continue to invest in infrastructure and technology, including roads, broadband, and mobile phone networks.

2. More broadly, there is a role for policy-makers addressing the development of rural areas to recognise and build on the wider role of businesses in supporting local development, beyond their direct economic and employment impacts. Policy-makers need to understand that scale in regional, rural, and remote areas is extremely important in the Australian context. Seemingly small changes can have immediate and disproportionately large impacts. For example, in the South Australian context, removing government subsidised migration support services in non-urban areas has negatively impacted rural businesses. In the past, the families of immigrant workers would be supported with language lessons, and events would be held to assist families to ‘put down roots’ and become

part of local communities. These services no longer exist. For rural businesses, this means recruitment is more difficult. What has not been considered in the policy change, is that rural businesses are also competing with very large, well-paying mining enterprises for staff. In many cases, these workers are flown in and out of larger, urban centres, where support services are readily available. Therefore, rural businesses find it increasingly difficult to attract and retain these workers to their local areas.

3. Finally, for researchers this study contributes to the existing body of knowledge in the field of rural business development. The study has demonstrated the importance of businesses' being flexible and reacting quickly to the changing circumstances around them. It is a fine balance and interplay between the context, characteristics of business owners and their enterprises that can lead to development of resilient business. It is not stability and constancy, but adaptive capacity, flexibility, and the ability to 'think outside the box' that ensures business survival and its resilience.

However, this study is exploratory and could form the basis for further work exploring features of resilient businesses beyond rural and Australian context.. Such work is arguably even more important in the recent economic downturn, when pressures are being faced by the high unemployment and business stagnation, and a need for business to lead economic recovery.

## Acknowledgements

This research was undertaken as part of the Scottish Government's Strategic Research Programme 'Governance and decision-making for community empowerment' 2011-2016 and co-funded through SRUC International Engagement Fund. Authors would also like to thank all study participants for their time and provided information, and all those who facilitated the study. Special thanks to Dr Jane Atterton for her invaluable comments, suggestions and support on this paper.

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